

VZCZCXRO7145  
OO RUEHFL RUEHKW RUEHLA RUEHNP RUEHROV  
DE RUEHMO #3766 3651511  
ZNY SSSSS ZZH  
O 301511Z DEC 08  
FM AMEMBASSY MOSCOW  
TO RUEHC/SECSTATE WASHDC IMMEDIATE 1389  
INFO RUCNCIS/CIS COLLECTIVE PRIORITY  
RUEHZL/EUROPEAN POLITICAL COLLECTIVE PRIORITY  
RUEHXD/MOSCOW POLITICAL COLLECTIVE PRIORITY  
RHEHNSC/NSC WASHDC PRIORITY  
RHMFISS/DEPT OF ENERGY WASHINGTON DC PRIORITY

S E C R E T MOSCOW 003766

SIPDIS

DEPT FOR EUR/RUS, FOR EEB/ESC/IEC GALLOGLY AND WRIGHT  
DOE FOR HEGBURG, EKIMOFF

E.O. 12958: DECL: 12/30/2018  
TAGS: [EPET](#) [ENRG](#) [ECON](#) [PREL](#) [RS](#)  
SUBJECT: DEMARCHE: AVOIDING GAS SUPPLY DISRUPTIONS FROM  
RUSSIA TO UKRAINE

REF: STATE 134475

Classified By: CDA: ERIC RUBIN

11. (S) We delivered points per reftel para. 16 to Gazprom's Director of Foreign Relations, Ivan Zolotov and the Senior Economic Advisor to the MFA's North America Desk, Vyacheslav Moshkalo. Both reported that as of 12/30, negotiations between Russia and Ukraine were underway to resolve the debt repayment and finalize a new contract for 2009. Zolotov said that the Gazprom Board of Directors remained firm that Ukraine's debt payments must be made before a new contract was signed. He added that Gazprom intended to fulfill all of its contractual obligations to its European customers. Construction of the South Stream and North European Gas Pipelines would proceed "at all costs" in order to bypass the "problematic transit countries", i.e., Ukraine.

12. (U) Gazprom Chairman Aleksei Miller announced on the 12/30 "Vesti" television news program that if Ukraine did not settle its outstanding gas debt, Gazprom would "have no basis" for continuing supplies after January 1. Furthermore, as of 2009, Ukraine would pay the "market" price for gas: \$418 per thousand cubic meters (msm).

13. (S) MFA's Moshkalo told us that Ukraine's outstanding debt was about \$3 billion. Both sides were exploring means to reach a settlement, such as Ukraine's paying of part of its debt with future earnings from gas transit fees. In the final analysis, however, Gazprom and GOR stood by their claim that gas trade with Ukraine was essentially a commercial matter and that Ukraine must abide by its contractual obligations. Moshkalo added there was sympathy for Ukraine's economic plight, but Gazprom and the Russian economy were also struggling with the global financial crisis. He concluded that every effort would be made to ensure uninterrupted supply to Gazprom's other European customers.

14. (S) Comment: Contrary to 2006, when gas prices were climbing, the GOR's financial future looks much more precarious this year. Russia's oil and gas-fueled reserves are rapidly dwindling owing to the fall in global energy prices, a \$200 billion rescue program for beleaguered corporations and banks, and efforts of the Central Bank to stave off a rapid devaluation of the ruble. The need for cash from European gas sales and the fact Ukraine remains the main transit route are compelling reasons for the Russians not to cut off supplies on January 1. We will continue to engage with the GOR on this and watch it closely. End Comment.  
RUBIN